



Billing Code: 4810-AM-P

BUREAU OF CONSUMER FINANCIAL PROTECTION

[Docket No. CFPB-2017-0006]

Request for Information Regarding Consumer Credit Card Market

AGENCY: Bureau of Consumer Financial Protection.

ACTION: Notice and request for information.

SUMMARY: The Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act or Act) requires the Bureau of Consumer Financial Protection (Bureau or CFPB) to conduct a review (Review) of the consumer credit card market, within the limits of its existing resources available for reporting purposes. In connection with conducting that Review, and in accordance with the Act, the Bureau is soliciting information from the public about a number of aspects of the consumer credit card market as described further below.

DATES: Comments must be submitted on or before **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION OF THIS DOCUMENT IN THE FEDERAL REGISTER]** to be assured of consideration.

ADDRESSES: You may submit responsive information and other comments, identified by the document title and Docket No. CFPB-2017-0006, by any of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *E-mail:* FederalRegisterComments@cfpb.gov. Include the document title and Docket No. CFPB-2017-0006 in the subject line of the message.
- *Mail:* Monica Jackson, Office of the Executive Secretary, Consumer Financial Protection Bureau, 1700 G Street NW., Washington, DC 20552.

- *Hand Delivery/Courier:* Monica Jackson, Office of the Executive Secretary, Consumer Financial Protection Bureau, 1275 First Street NE., Washington, DC 20002.

Instructions: All submissions should include the agency name and docket number for this proposal. Because paper mail in the Washington, DC area and at the Bureau is subject to delay, commenters are encouraged to submit comments electronically. In general, all comments received will be posted without change to <http://www.regulations.gov>. In addition, comments will be available for public inspection and copying at 1275 First Street NE., Washington, DC 20002, on official business days between the hours of 10 a.m. and 5 p.m. Eastern Time. You can make an appointment to inspect the documents by telephoning (202) 435-7275.

All comments, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. Sensitive personal information, such as account numbers or Social Security numbers, should not be included. Comments generally will not be edited to remove any identifying or contact information.

FOR FURTHER INFORMATION CONTACT: For general inquiries, submission process questions, or any additional information, please contact Wei Zhang, Credit Card Program Manager, Division of Research, Markets, and Regulations, Consumer Financial Protection Bureau, at (202) 435-7700, or wei.zhang@cfpb.gov.

Authority: 15 U.S.C. 1616(a), (b).

SUPPLEMENTARY INFORMATION: Section 502(a) of the CARD Act¹ requires the Bureau to conduct a review, within the limits of its existing resources available for reporting purposes, of the consumer credit card market every two years. To inform that review, section 502(b)² instructs the Bureau to seek public comment.

¹ See 15 U.S.C. 1616(a).

² See 15 U.S.C. 1616(b).

The Bureau's first such review was published in October, 2013; the Bureau's second such review was published in December, 2015.³ To inform the Bureau's next review, the Bureau hereby invites members of the public, including consumers, credit card issuers, industry analysts, consumer advocates, and other interested persons to submit information and other comments relevant to the issues expressly identified in section 2 below, as well as any information they believe is relevant to a review of the credit card market.

1. Background: the CARD Act

The CARD Act was signed into law in May 2009.⁴ Passage of the Act was expressly intended to "establish fair and transparent practices related to the extension of credit" in the credit card market.⁵ To achieve these agreed-upon purposes, the Act changed the requirements applicable to credit card pricing in a number of significant respects including direct limits on a number of pricing practices that Congress deemed unfair or unclear to consumers.

2. Issues on which the Bureau seeks public comment for its Review.

In connection with its pending Review, the Bureau seeks information from members of the public about how the credit card market is functioning. The Bureau seeks comments in two primary areas. First, the Bureau seeks comments on the experiences of consumers in the credit card market and on the overall health of the credit card market, including but not limited to those questions explicitly outlined in section 502(a) and in (a) through (d) below. Second, the Bureau seeks comments on eight areas of further interest, some but not all of which were discussed in the previous Review, published October 2013, delineated in (e) through (m) below.

³ CARD Act Report, *available at*, http://files.consumerfinance.gov/f/201309_cfpb_card-act-report.pdf; The Consumer Credit Card Market, *available at* http://files.consumerfinance.gov/f/201512_cfpb_report-the-consumer-credit-card-market.pdf.

⁴ The CARD Act's provisions took effect in three stages: August 2009, February 2010, and October 2011.

⁵ Public Law 111-24, 123 Stat. 1734 (2009).

The Bureau wants to be alerted to and understand the information that consumers, credit card issuers, consumer groups, and others believe is most relevant to the Bureau's review of the credit card market, so this list of subjects should not be viewed as exhaustive. Commenters are encouraged to address any other aspects of the consumer credit card market that they consider would be of interest or concern to the Bureau.

Please feel free to comment generally and/or respond to any or all of the questions below but please be sure to indicate in your comments on which topic areas or questions you are commenting:

(a) The terms of credit card agreements and the practices of credit card issuers

How have the substantive terms and conditions of credit card agreements or the length and complexity of such agreements changed over the past two years? How have issuers changed their pricing, marketing, underwriting, or other practices?

(b) The effectiveness of disclosure of terms, fees, and other expenses of credit card plans

How effective are current disclosures of rates, fees, and other cost terms of credit card accounts in conveying to consumers the costs of credit card plans? What further improvements in disclosure, if any, would benefit consumer cardholders at this point, and what costs would be incurred in providing such disclosures?

- (c) The adequacy of protections against unfair or deceptive acts or practices or unlawful discrimination relating to credit card plans

Do unfair, deceptive, or abusive acts and practices, or unlawful discrimination, still exist in the credit card market, and if so, in what form and with what frequency and effect? How might any such conduct be prevented and at what cost?

- (d) The cost and availability of consumer credit cards, the use of risk-based pricing for consumer credit cards, and consumer credit card product innovation

How have the cost and availability of consumer credit cards (including with respect to non-prime borrowers), the use of risk-based pricing for consumer credit cards, and consumer credit card product innovation changed since the Bureau reported on the credit card market in 2015? What has driven those changes—or, if there has been little change, the stability in those metrics? How are consumers with lower credit scores faring in the market? Has the impact of the CARD Act on these factors changed over the past two years?

- (e) Deferred interest products

The Bureau's prior Review found that deferred interest products, while popular, can pose risks to consumers. How have market trends and issuer practices evolved since the Bureau's prior Review? What areas of risk still remain for consumers? What, if anything, should be done to address these risks?

- (f) Subprime specialist products

The Bureau's prior Review examined the practices and metrics of certain "subprime specialist" issuers who provide cards to millions of consumers with lower credit scores. These issuers offer products to consumers distinguished by their high cost and their reliance on fees, rather than finance charges, relative to mass market issuers. How does the consumer experience

of using these cards compare to the experience of consumers with similar credit profiles when using mass market credit cards?

(g) Third-party comparison sites

Third party comparison sites are websites that provide information to consumers about different credit card products in order to facilitate the selection of a product. The Bureau has received indications that some such sites generate significant revenue from issuer payments made in exchange for approved applications, and that in many cases contracts between sites and issuers can influence or explicitly determine which (and how) products and choices are presented to consumers. To what degree do consumers understand the benefits and risks of using third party comparison sites? To what degree do existing standards, practices, and disclosures protect consumers from unfair, deceptive, and abusive acts and practices? Where, if anywhere, do opportunities for improvement exist, and how would any such improvements most appropriately be realized?

(h) Innovation

The Bureau's prior Review noted two major trends in financial innovation which are poised to substantially impact the credit card market. The first was advancements and evolutions in payment security and form factor, including both the widespread adoption of EMV standards and the possibility for wider adoption of mobile payments. The second was the trend toward new consumer lending models potentially competing with credit cards, both indirectly by being marketed as a tool for debt consolidation and more directly at point-of-sale. To what degree, have either of these trends advanced in ways both expected and unexpected over the past two years? Which of these trends appear likely to have the greatest impact on the consumer credit card market in the foreseeable future? What are the benefits and risks to consumers posed by

these trends? What other innovations are impacting, or are likely to impact, consumers in the credit card marketplace?

(i) Secured credit cards

The Bureau believes that secured credit cards potentially offer consumers with limited or damaged credit history a beneficial way to both access credit and build or rebuild a positive credit record. The Bureau has taken note of some indications that secured card originations have increased and that new entrants to the market signal increasing issuer interest in offering this potentially valuable product to consumers. What is the current state of the secured credit card market, and what evidence is there to support indications of positive consumer outcomes? What obstacles, including regulatory obstacles or obstacles with potential regulatory solutions, may prevent secured cards from reaching their potential in the marketplace? What risks should consumers be aware of when choosing a secured card?

(j) Online and mobile account servicing

The Bureau's prior Review found that large and increasing numbers of consumers are enrolling in issuers' online and mobile account servicing platforms. That Review also found that many of those consumers have both opted out of receiving paper statements and appear to rarely access their statements online. These consumers therefore rarely encounter certain mandatory disclosures intended to encourage and enable positive outcomes for consumers who have not always had positive experiences with credit cards. To what extent are consumers who, for example, make only minimum payments, or have a higher propensity towards making payments late, not encountering these disclosures? What other potential benefits or risks does a broader shift towards digital account servicing pose to consumers? What other practices or potential innovations are issuers engaging in to accomplish the same goals as those disclosures? What

obstacles, including but not limited to specific regulatory obstacles, inhibit issuers from further innovating in leveraging online and mobile account servicing platforms to improve consumers' experiences and outcomes using credit cards?

(k) Rewards products

The Bureau's prior review found that rewards programs associated with credit cards are prevalent, popular, and can provide value to consumers. That same Review identified areas for concern regarding the impact of rewards on consumer choice and usage of credit cards, as well as disclosure practices and program structure. How have market trends and issuer practices evolved since the Bureau's prior review? What areas of risk still remain for consumers? What, if anything, should be done to address those?

(l) Variable interest rates

The Bureau's prior Review found that most credit cards now have variable interest rates. Those credit card rates will rise when background interest rates increase. To what extent are consumers aware that their credit card borrowing costs will increase on funds already borrowed when market rates increase? What common practices are issuers using to inform consumers of such rate increases? What practices, if any, should issuers adopt to help consumers understand the implications of card use in a rising interest rate environment?

(m) Debt collection

The Bureau's prior Review examined the policies and practices of consumer credit card issuers' collections and debt sales operations. What, if any, changes have been made in such

policies and practices since the last Review? If they have changed, what drove the applicable changes? What associated market metrics have changed as a result, and how did such changes occur? Have market metrics changed in other significant ways, and if so, how and why?

Dated: March 6, 2017.

Leandra English,

Chief of Staff, Bureau of Consumer Financial Protection.

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